

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
vs.)	Docket No. 11-0498
)	
Commonwealth Edison Company)	
)	
Investigation of Commonwealth Edison)	
Company's Supply Rate Design and)	
Related Matters)	

**VERIFIED COMMENTS OF THE PEOPLE OF THE STATE OF ILLINOIS, THE
CITIZENS UTILITY BOARD, AND THE CITY OF CHICAGO**

Pursuant to the Illinois Commerce Commission (“Commission” or “ICC”) rules of practice, 83 Ill. Admin. Code Section 200.525 and the Notice of Administrative Law Judge’s Ruling of December 22, 2011, the People of the State of Illinois (“the People”), through Attorney General Lisa Madigan (“AG”), the Citizens Utility Board (“CUB”), and the City of Chicago (“City”), by Stephen Patton, Corporation Counsel (collectively “AG/CUB/City”), respectfully submits their Verified Comments in the above captioned proceeding. AG/CUB/City and their expert rate design witness, Scott Rubin, actively participated in the discussions that preceded Commonwealth Edison Company’s (“ComEd”) filing of its direct testimony (ComEd Ex. No. 1.0)¹ and the various phase-out options contained therein. AG/CUB/City support the option illustrated in ComEd Ex. 1.3a through 1.3c, that is, the phase-out of residential supply-cost subsidies over a fixed, five-year period.

AG/CUB/City supports a fixed time period for the phase-out based on a combination of two factors: (1) the need to eliminate supply-cost subsidies so that all customers pay market-

¹ ComEd Ex. No. 1.0 is the direct testimony of Mr. Lawrence S. Alongi, Manager of Retail Rates for ComEd. Mr. Alongi also actively participated in the discussions with Staff and intervenor’s.

based prices; and (2) the need to be sensitive to the impacts on customers receiving substantial subsidies so as to avoid excessive phase-out-related bill impacts. Each of those points is discussed more fully below.

AG/CUB/City have concluded that it is necessary to eliminate supply-cost subsidies within the residential class. At present, residential customers who use electricity for space heating are paying below-cost rates for electricity. The subsidy is being provided largely by residential customers who do not use electricity for space heating. Specifically, the typical (median) residential space heating customer is receiving a subsidy of more than \$450 per year (paying \$1,691 per year while ComEd's cost of providing the service is \$2,159 per year). ComEd Ex. 1.3a, p. 7 (comparing Current Annual Bill and Year 5 for Residential with Electric Heat 50th Percentile).

While the increased cost to customers who provide the subsidy (residential non-heating customers) is relatively small on a per-customer basis (less than \$20 per year per customer), it must be kept in mind that those so-called non-heating customers are paying full market price for their own heating fuel (most likely natural gas). Thus, customers who do not use electricity for space heating are being required to pay their own heating costs plus provide a subsidy to those customers who use electricity for space heating. It is this unfairness that AG/CUB/City submit should be eliminated over a reasonable period of time.

In determining the reasonable period of time during which the subsidy should be eliminated, AG/CUB/City are mindful of the current state of the economy and the burden that energy costs can pose on residential consumers. As a consequence, AG/CUB/City recommend that it is reasonable to eliminate the subsidy over a fixed five-year period. ComEd's calculations show that doing so would result in annual increases of 5% or less for the typical (median)

residential heating customer, with even the largest users seeing increases of no more than 6%.

ComEd Ex. 1.3a, p. 6. AG/CUB/City believe that this type of gradual increase over an extended period of time would be a reasonable way to eliminate the subsidy that residential electric space heating customers are currently receiving (and have been receiving for many years).

AG/CUB/City are aware that other changes, either in ComEd's delivery costs or in the electricity market, may result in rates increasing or decreasing during the five-year phase-out period. It is the judgment of AG/CUB/City that such other changes in supply or distribution rates should not affect the reasonable, timely phase-out of the below-cost rates being paid by residential space heating customers. For example, if natural gas prices increase, it is likely that the wholesale price of electricity also would increase (since gas-fired generation tends to be the incremental generation on PJM during peak periods). If this were to occur, then consumers who heat with natural gas would pay higher natural gas prices and also provide an increased subsidy to consumers who heat with electricity. AG/CUB/City supports the phase-out of this inequity, so that all customers should be affected by that change to a similar extent, no matter how they heat their homes. No one will subsidize the heating costs of residential consumers who heat with natural gas during such an inflationary period, so it would be unreasonable to delay the phase-out of below-cost electricity pricing because of such a movement in market prices.

Finally, AG/CUB/City have not addressed the subsidy currently received by small, non-competitive lighting customers (Fixture Included Lighting and Dusk-to-Dawn Lighting).

AG/CUB/City submits that the Commission order initiating this proceeding was limited to the supply-related subsidies within the residential class. Specifically, the Initiating Order in the instant proceeding stated:

The Commission further adopts Staff witness Clausen's suggestion to initiate a Section 9-250 proceeding to address issues related to supply rate design **regarding residential customers**...(emphasis added) 10-0498; Order at 1.

AG/CUB/City believe, therefore, that the Commission's Initiating Order did not provide adequate notice to potentially affected lighting customers that their rates might be changed in this proceeding. It is not appropriate for the Commission to order any changes in the supply charges paid by those lighting customers in this proceeding.

CONCLUSION

For the reasons discussed herein, AG/CUB/City respectfully requests that the Commission adopt the fixed time period phase-out as described in ComEd Ex. 1.3a through 1.3c, that is, the phase-out of residential supply-cost subsidies over a fixed, five-year period.

Additionally, the Commission should not decide any issues related to a potential phase-out of subsidies to lighting customers at this time.

Dated: January 19, 2012

Respectfully submitted,



People of the State of Illinois
Lisa Madigan, Attorney General
Janice A. Dale, Senior Assistant Attorney General
Michael R. Borovik, Assistant Attorney General
Cathy Yu, Assistant Attorney General
Public Utilities Bureau
Illinois Attorney General's Office
100 West Randolph Street, 11th Fl.
Chicago, IL 60601
Telephone: (312) 814-7203
Facsimile: (312) 814-3212



Kristin Munsch, Attorney
Julie L. Soderna, Director of Litigation
Christie Hicks, Attorney
CITIZENS UTILITY BOARD
208 S. LaSalle, Suite 1760
Chicago, IL 60604
(312) 263-4282 x112
(312) 263-4329 fax



City of Chicago
Stephen Patton
Corporation Counsel
Ronald D. Jolly
Senior Counsel
City of Chicago
30 North LaSalle Street
Suite 1400
Chicago, Illinois 60602
(312) 744-6929
ron.jolly@cityofchicago.org